



97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

HB2929

Introduced 2/23/2011, by Rep. Darlene J. Senger

SYNOPSIS AS INTRODUCED:

5 ILCS 315/15	from Ch. 48, par. 1615
40 ILCS 5/2-124	from Ch. 108 1/2, par. 2-124
40 ILCS 5/2-126	from Ch. 108 1/2, par. 2-126
40 ILCS 5/2-163 new	
40 ILCS 5/2-164 new	
40 ILCS 5/2-165 new	

Amends the General Assembly Article of the Illinois Pension Code. Requires current participants in the General Assembly Retirement System to make a one-time, irrevocable election of one of the following: (i) the traditional benefit package, (ii) the benefit package made available under P.A. 96-889, or (iii) a self-managed plan. Authorizes persons who first became (or become) participants on or after January 1, 2011 to irrevocably elect either: (i) the benefit package made available under P.A. 96-889 or (ii) the self-managed plan. Sets forth the requirements for the self-managed plan and provides that it is the default plan if a participant fails to make an election. Provides that, beginning in fiscal year 2013, the State's required contribution is the greater of 6% of the applicable payroll or one-half of the actuarially-determined normal cost of the benefit package for new hires and that the required employee contribution will be based on the benefit package elected by the participant. Amends the Illinois Public Labor Relations Act to provide that the changes to the Code made by the amendatory Act control when there is a conflict with the Illinois Public Labor Relations Act. Effective immediately.

LRB097 10787 JDS 51222 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

1 AN ACT concerning public employee benefits.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Public Labor Relations Act is
5 amended by changing Section 15 as follows:

6 (5 ILCS 315/15) (from Ch. 48, par. 1615)

7 Sec. 15. Act Takes Precedence.

8 (a) In case of any conflict between the provisions of this
9 Act and any other law (other than Section 5 of the State
10 Employees Group Insurance Act of 1971 and other than the
11 changes made to the Illinois Pension Code by this amendatory
12 Act of the 96th General Assembly or by this amendatory Act of
13 the 97th General Assembly), executive order or administrative
14 regulation relating to wages, hours and conditions of
15 employment and employment relations, the provisions of this Act
16 or any collective bargaining agreement negotiated thereunder
17 shall prevail and control. Nothing in this Act shall be
18 construed to replace or diminish the rights of employees
19 established by Sections 28 and 28a of the Metropolitan Transit
20 Authority Act, Sections 2.15 through 2.19 of the Regional
21 Transportation Authority Act. The provisions of this Act are
22 subject to Section 5 of the State Employees Group Insurance Act
23 of 1971. Nothing in this Act shall be construed to replace the

1 necessity of complaints against a sworn peace officer, as
2 defined in Section 2(a) of the Uniform Peace Officer
3 Disciplinary Act, from having a complaint supported by a sworn
4 affidavit.

5 (b) Except as provided in subsection (a) above, any
6 collective bargaining contract between a public employer and a
7 labor organization executed pursuant to this Act shall
8 supersede any contrary statutes, charters, ordinances, rules
9 or regulations relating to wages, hours and conditions of
10 employment and employment relations adopted by the public
11 employer or its agents. Any collective bargaining agreement
12 entered into prior to the effective date of this Act shall
13 remain in full force during its duration.

14 (c) It is the public policy of this State, pursuant to
15 paragraphs (h) and (i) of Section 6 of Article VII of the
16 Illinois Constitution, that the provisions of this Act are the
17 exclusive exercise by the State of powers and functions which
18 might otherwise be exercised by home rule units. Such powers
19 and functions may not be exercised concurrently, either
20 directly or indirectly, by any unit of local government,
21 including any home rule unit, except as otherwise authorized by
22 this Act.

23 (Source: P.A. 95-331, eff. 8-21-07; 96-889, eff. 1-1-11.)

24 Section 10. The Illinois Pension Code is amended by
25 changing Sections 2-124 and 2-126 and by adding Sections 2-163,

1 2-164, and 2-165 as follows:

2 (40 ILCS 5/2-124) (from Ch. 108 1/2, par. 2-124)

3 Sec. 2-124. Contributions by State.

4 (a) The State shall make contributions to the System by
5 appropriations of amounts which, together with the
6 contributions of participants, interest earned on investments,
7 and other income will meet the cost of maintaining and
8 administering the System on a 90% funded basis in accordance
9 with actuarial recommendations.

10 (b) The Board shall determine the amount of State
11 contributions required for each fiscal year on the basis of the
12 actuarial tables and other assumptions adopted by the Board and
13 the prescribed rate of interest, using the formula in
14 subsection (c).

15 (c) For purposes of this Article:

16 (1) Notwithstanding any other provision of this
17 Section, the minimum required State contribution with
18 respect to benefit accruals occurring in years after fiscal
19 year 2012 shall be 6% of the applicable payroll or one-half
20 of the actuarially-determined normal cost of the revised
21 defined benefit package provided under paragraph (2) of
22 subsection (a) of Section 2-163 of this Code, whichever is
23 greater. This contribution amount shall apply with respect
24 to each participant in the System, regardless of whether
25 the participant has elected the traditional benefit

1 package provided under paragraph (1) of subsection (a)
2 Section 2-163 of this Code, the revised benefit package
3 provided under paragraph (2) of subsection (a) of Section
4 2-163 of this Code, or the self-managed plan provided under
5 paragraph (3) of subsection (a) Section 2-163 of this Code.

6 (2) In addition to the amounts contributed under
7 paragraph (1) of this subsection (c), for State fiscal
8 years 2013 through 2045, the State shall make an additional
9 contribution to the System of an amount that is actuarially
10 determined to be sufficient to fund, by the end of State
11 fiscal year 2045, the System's unfunded liability
12 attributable to service completed by the end of fiscal year
13 2012, calculated using fiscal year 2012 wage levels. In
14 calculating the contributions under this paragraph (2),
15 the required State contribution shall be calculated each
16 year as a level dollar amount over the years remaining to
17 and including fiscal year 2045.

18 (3) Subject to the provisions of paragraphs (1) and (2)
19 of this subsection (c):

20 For State fiscal years 2011 through 2045, the minimum
21 contribution to the System to be made by the State for each
22 fiscal year shall be an amount determined by the System to
23 be sufficient to bring the total assets of the System up to
24 90% of the total actuarial liabilities of the System by the
25 end of State fiscal year 2045. In making these
26 determinations, the required State contribution shall be

1 calculated each year as a level percentage of payroll over
2 the years remaining to and including fiscal year 2045 and
3 shall be determined under the projected unit credit
4 actuarial cost method.

5 For State fiscal years 1996 through 2005, the State
6 contribution to the System, as a percentage of the
7 applicable employee payroll, shall be increased in equal
8 annual increments so that by State fiscal year 2011, the
9 State is contributing at the rate required under this
10 Section.

11 Notwithstanding any other provision of this Article,
12 the total required State contribution for State fiscal year
13 2006 is \$4,157,000.

14 Notwithstanding any other provision of this Article,
15 the total required State contribution for State fiscal year
16 2007 is \$5,220,300.

17 For each of State fiscal years 2008 through 2009, the
18 State contribution to the System, as a percentage of the
19 applicable employee payroll, shall be increased in equal
20 annual increments from the required State contribution for
21 State fiscal year 2007, so that by State fiscal year 2011,
22 the State is contributing at the rate otherwise required
23 under this Section.

24 Notwithstanding any other provision of this Article,
25 the total required State contribution for State fiscal year
26 2010 is \$10,454,000 and shall be made from the proceeds of

1 bonds sold in fiscal year 2010 pursuant to Section 7.2 of
2 the General Obligation Bond Act, less (i) the pro rata
3 share of bond sale expenses determined by the System's
4 share of total bond proceeds, (ii) any amounts received
5 from the General Revenue Fund in fiscal year 2010, and
6 (iii) any reduction in bond proceeds due to the issuance of
7 discounted bonds, if applicable.

8 Beginning in State fiscal year 2046, the minimum State
9 contribution for each fiscal year shall be the amount
10 needed to maintain the total assets of the System at 90% of
11 the total actuarial liabilities of the System.

12 Amounts received by the System pursuant to Section 25
13 of the Budget Stabilization Act or Section 8.12 of the
14 State Finance Act in any fiscal year do not reduce and do
15 not constitute payment of any portion of the minimum State
16 contribution required under this Article in that fiscal
17 year. Such amounts shall not reduce, and shall not be
18 included in the calculation of, the required State
19 contributions under this Article in any future year until
20 the System has reached a funding ratio of at least 90%. A
21 reference in this Article to the "required State
22 contribution" or any substantially similar term does not
23 include or apply to any amounts payable to the System under
24 Section 25 of the Budget Stabilization Act.

25 Notwithstanding any other provision of this Section,
26 the required State contribution for State fiscal year 2005

1 and for fiscal year 2008 and each fiscal year thereafter,
2 as calculated under this Section and certified under
3 Section 2-134, shall not exceed an amount equal to (i) the
4 amount of the required State contribution that would have
5 been calculated under this Section for that fiscal year if
6 the System had not received any payments under subsection
7 (d) of Section 7.2 of the General Obligation Bond Act,
8 minus (ii) the portion of the State's total debt service
9 payments for that fiscal year on the bonds issued for the
10 purposes of that Section 7.2, as determined and certified
11 by the Comptroller, that is the same as the System's
12 portion of the total moneys distributed under subsection
13 (d) of Section 7.2 of the General Obligation Bond Act. In
14 determining this maximum for State fiscal years 2008
15 through 2010, however, the amount referred to in item (i)
16 shall be increased, as a percentage of the applicable
17 employee payroll, in equal increments calculated from the
18 sum of the required State contribution for State fiscal
19 year 2007 plus the applicable portion of the State's total
20 debt service payments for fiscal year 2007 on the bonds
21 issued for the purposes of Section 7.2 of the General
22 Obligation Bond Act, so that, by State fiscal year 2011,
23 the State is contributing at the rate otherwise required
24 under this Section.

25 (d) For purposes of determining the required State
26 contribution to the System, the value of the System's assets

1 shall be equal to the actuarial value of the System's assets,
2 which shall be calculated as follows:

3 As of June 30, 2008, the actuarial value of the System's
4 assets shall be equal to the market value of the assets as of
5 that date. In determining the actuarial value of the System's
6 assets for fiscal years after June 30, 2008, any actuarial
7 gains or losses from investment return incurred in a fiscal
8 year shall be recognized in equal annual amounts over the
9 5-year period following that fiscal year.

10 (e) For purposes of determining the required State
11 contribution to the system for a particular year, the actuarial
12 value of assets shall be assumed to earn a rate of return equal
13 to the system's actuarially assumed rate of return.

14 (Source: P.A. 95-950, eff. 8-29-08; 96-43, eff. 7-15-09.)

15 (40 ILCS 5/2-126) (from Ch. 108 1/2, par. 2-126)

16 Sec. 2-126. Contributions by participants.

17 (a) Each participant shall contribute toward the cost of
18 his or her retirement annuity a percentage of each payment of
19 salary received by him or her for service as a member as
20 follows: for service between October 31, 1947 and January 1,
21 1959, 5%; for service between January 1, 1959 and June 30,
22 1969, 6%; for service between July 1, 1969 and January 10,
23 1973, 6 1/2%; for service after January 10, 1973, 7%; for
24 service after December 31, 1981, 8 1/2%.

25 (b) Beginning August 2, 1949, each male participant, and

1 from July 1, 1971, each female participant shall contribute
2 towards the cost of the survivor's annuity 2% of salary.

3 A participant who has no eligible survivor's annuity
4 beneficiary may elect to cease making contributions for
5 survivor's annuity under this subsection. A survivor's annuity
6 shall not be payable upon the death of a person who has made
7 this election, unless prior to that death the election has been
8 revoked and the amount of the contributions that would have
9 been paid under this subsection in the absence of the election
10 is paid to the System, together with interest at the rate of 4%
11 per year from the date the contributions would have been made
12 to the date of payment.

13 (c) Beginning July 1, 1967, each participant shall
14 contribute 1% of salary towards the cost of automatic increase
15 in annuity provided in Section 2-119.1. These contributions
16 shall be made concurrently with contributions for retirement
17 annuity purposes.

18 (d) In addition, each participant serving as an officer of
19 the General Assembly shall contribute, for the same purposes
20 and at the same rates as are required of a regular participant,
21 on each additional payment received as an officer. If the
22 participant serves as an officer for at least 2 but less than 4
23 years, he or she shall contribute an amount equal to the amount
24 that would have been contributed had the participant served as
25 an officer for 4 years. Persons who serve as officers in the
26 87th General Assembly but cannot receive the additional payment

1 to officers because of the ban on increases in salary during
2 their terms may nonetheless make contributions based on those
3 additional payments for the purpose of having the additional
4 payments included in their highest salary for annuity purposes;
5 however, persons electing to make these additional
6 contributions must also pay an amount representing the
7 corresponding employer contributions, as calculated by the
8 System.

9 (e) Notwithstanding any other provision of this Article,
10 the required contribution of a participant who first becomes a
11 participant on or after January 1, 2011 shall not exceed the
12 contribution that would be due under this Article if that
13 participant's highest salary for annuity purposes were
14 \$106,800, plus any increases in that amount under Section
15 2-108.1.

16 (f) Notwithstanding anything in this Section to the
17 contrary, effective July 1, 2012, all participants shall be
18 required to make the following contributions:

19 (1) Participants who elect the traditional benefit
20 package provided under paragraph (1) of subsection (a) of
21 Section 2-163 of this Code shall contribute a percentage of
22 salary equal to the sum of the following:

23 (A) 6% of salary or one-half of the
24 actuarially-determined normal cost of the revised
25 defined benefit package provided under paragraph (2)
26 of subsection (a) of Section 2-163 of this Code,

1 whichever is greater;

2 (B) an additional percentage of salary that is
3 actuarially determined to equal the difference between
4 the normal cost of the traditional plan and the normal
5 cost of the revised benefit package; and

6 (C) an additional percentage of salary that is
7 actuarially determined to be sufficient to amortize
8 the portion of the System's unfunded liability at the
9 end of fiscal year 2012 that is attributable to wage
10 increases occurring after the effective date of this
11 amendatory Act of the 97th General Assembly.

12 (2) Participants who elect the revised benefit package
13 provided under paragraph (2) of subsection (a) of Section
14 2-163 of this Code shall contribute 6% of salary or
15 one-half of the actuarially-determined normal cost of the
16 revised defined benefit package provided under paragraph
17 (2) of subsection (a) of Section 2-163 of this Code,
18 whichever is greater.

19 (3) Participants who elect the self-managed plan
20 provided under paragraph (3) of subsection (a) of Section
21 2-163 of this Code shall contribute 6% of salary or
22 one-half of the actuarially-determined normal cost of the
23 revised defined benefit package provided under paragraph
24 (2) of subsection (a) of Section 2-163 of this Code,
25 whichever is greater.

26 No prior contribution increases or other additional

1 contributions specified by this Section shall apply to any
2 participant for service on or after July 1, 2012.

3 (Source: P.A. 96-1490, eff. 1-1-11.)

4 (40 ILCS 5/2-163 new)

5 Sec. 2-163. Benefits accruals on and after July 1, 2012.

6 (a) Each participant under this Article, other than a
7 person who first becomes a participant on or after January 1,
8 2011 shall be given the choice to elect which retirement
9 program he or she wishes to participate in with respect to all
10 periods of covered employment occurring on and after July 1,
11 2012. The retirement program election made by the participant
12 must be made no later than January 1, 2012. The participant
13 shall elect one of the following retirement programs:

14 (1) the traditional benefit package provided under
15 this Article prior to Public Act 96-889;

16 (2) the revised benefit package provided to persons who
17 first became (or become) participants on or after January
18 1, 2011 under Public Act 96-889; or

19 (3) the self-managed plan provided under Section
20 2-164.

21 (b) A person who first becomes a participant under this
22 Article on or after January 1, 2011 shall be given the choice
23 to elect which retirement program he or she wishes to
24 participate in with respect to all periods of covered
25 employment occurring on and after July 1, 2012. The participant

1 shall elect one of the retirement programs provided in
2 paragraph (2) or (3) of subsection (a) of this Section. The
3 retirement program election made by the participant must be
4 made no later than January 1, 2012 or within 30 days after the
5 participant's first day of service, whichever is later.

6 (c) The participant election authorized by this Section is
7 a one-time, irrevocable election. The election shall be made in
8 writing, in the manner prescribed by the System. Any
9 participant who fails to make the election shall, by default,
10 participate in the benefit program provided under paragraph (3)
11 of subsection (a) of this Section.

12 (d) If a participant with an accrued benefit under the
13 traditional benefit package provided under this Article prior
14 to Public Act 96-889 elects the revised benefit package
15 provided under paragraph (2) of subsection (a) of this Section,
16 the participant's total accrued benefit for purposes of
17 determining an annuity shall be the sum of (i) the
18 participant's benefit accruals before July 1, 2012, based on
19 the participant's pay and service through June 30, 2012 and
20 frozen with respect to pay and service after that date and (ii)
21 the participant's benefit accruals based on pay and service on
22 and after July 1, 2012, as modified by the rules provided in
23 Public Act 96-889.

24 (e) If a participant elects the self-managed plan provided
25 under paragraph (3) of subsection (a) of this Section, the
26 participant's total accrued benefit for purposes of

1 determining an annuity shall be the participant's benefit
2 accruals before July 1, 2012, based on the participant's pay
3 and service through June 30, 2012 and frozen with respect to
4 pay and service after that date. However, the participant shall
5 also have an accrued self-managed plan benefit as specified in
6 subsection (g) of Section 2-164, for periods of covered
7 employment on or after July 1, 2012.

8 (40 ILCS 5/2-164 new)

9 Sec. 2-164. Self-managed plan.

10 (a) The System shall establish and administer a
11 self-managed plan, which shall offer participants the
12 opportunity to accumulate assets for retirement through a
13 combination of participant and State contributions that may be
14 invested in mutual funds, collective investment funds, or other
15 investment products and used to purchase annuity contracts that
16 are fixed, variable, or a combination thereof. The plan must be
17 qualified under the Internal Revenue Code of 1986.

18 (b) The System shall be the plan sponsor for the
19 self-managed plan and shall prepare a plan document and
20 prescribe the rules and procedures that are necessary or
21 desirable for the administration of the self-managed plan.
22 Consistent with its fiduciary duty to the participants and
23 beneficiaries of the self-managed plan, the board of trustees
24 of the System may delegate aspects of plan administration as it
25 sees fit to companies authorized to do business in this State.

1 (c) A participant eligible to participate in the
2 self-managed plan must make a written election in accordance
3 with the provisions of Section 2-163 and the procedures
4 established by the System. Participation in the self-managed
5 plan by a participant shall begin on the first day of the first
6 pay period following the date the participant's election is
7 filed with the System.

8 (d) Participants who are participating in the program must
9 be allowed to direct the transfer of their account balances
10 among the various investment options offered, subject to
11 applicable contractual provisions. The participant shall not
12 be deemed a fiduciary by reason of providing investment
13 direction. A person who is a fiduciary shall not be liable for
14 any loss resulting from the investment direction of the
15 participant and shall not be deemed to have breached any
16 fiduciary duty by acting in accordance with that direction. The
17 System shall not guarantee any of the investments in the
18 employee's account balances.

19 (e) The self-managed plan shall be funded by contributions
20 from participants participating in the self-managed plan and
21 State contributions as provided in this Article. Participants
22 may make additional contributions to the self-managed plan in
23 accordance with the procedures prescribed by the System, to the
24 extent permitted under rules prescribed by the System.
25 Participant and State contributions shall be paid into the
26 participant's self-managed plan accounts in a manner to be

1 prescribed by the System.

2 (f) A participant in the self-managed plan becomes vested
3 in the State contributions credited to his or her accounts in
4 the self-managed plan on the earliest to occur of the
5 following: (1) completion of 5 years of service under this
6 Article or (2) if the participant has completed at least 1 1/2
7 years of service, the death of the participant.

8 (g) If a participant who is vested in State contributions
9 withdraws from service, the participant shall be entitled to a
10 benefit that is based on the account values attributable to
11 both participant and State contributions and any investment
12 return on those contributions.

13 If a participant who is not vested in State contributions
14 withdraws from service, the participant shall be entitled to a
15 benefit based solely on the account values attributable to the
16 participant's contributions and any investment return on those
17 contributions, and the State contributions and any investment
18 return on those contributions shall be forfeited. Any State
19 contributions that are forfeited shall be held in escrow by the
20 company investing those contributions and shall be used as
21 directed by the System for future allocations of State
22 contributions.

23 (40 ILCS 5/2-165 new)

24 Sec. 2-165. Minimum benefit provisions. Notwithstanding
25 any other provision of this Article, each participant under

1 this Article shall receive a minimum benefit or allocation
2 determined as follows:

3 (1) If the participant is participating in the
4 traditional benefit package provided under paragraph (1)
5 of subsection (a) of Section 2-163 of this Code or the
6 revised benefit package provided under paragraph (2) of
7 subsection (a) of Section 2-163 of this Code, the
8 participant shall receive a minimum benefit (commencing on
9 his or her Social Security retirement age) that is equal to
10 the annual primary insurance amount the employee would have
11 under Social Security. For the purposes of this item (1),
12 the primary insurance amount an individual would have under
13 Social Security shall be calculated so that the system
14 meets the requirements necessary to be considered a
15 "retirement system" under Section 3121(b)(7)(F) of the
16 Internal Revenue Code and the regulations in effect
17 thereunder.

18 (2) If the participant is participating in the
19 self-managed plan provided under paragraph (3) of
20 subsection (a) of Section 2-163 of this Code, the
21 participant shall receive a minimum allocation equal to
22 7.5% of the participant's compensation for service during
23 the period. State contributions shall be taken into account
24 for this purpose. For the purposes of this paragraph (2),
25 the minimum allocation shall be calculated so that the
26 System meets the requirements necessary to be considered a

1 "retirement system" under Section 3121(b)(7)(F) of the
2 Internal Revenue Code and the regulations in effect
3 thereunder.

4 Section 99. Effective date. This Act takes effect upon
5 becoming law.